

# Increased Participation in the EITC in San Antonio

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## Increased Participation in the EITC in San Antonio

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### OVERVIEW

The Earned Income Tax Credit (EITC) is a federal tax credit for working individuals and families whose incomes range from significantly below the poverty line to approximately double the poverty line. It is intended to reduce the tax burden on low-income workers, supplement their wages, and assist in the welfare-to-work transition. Larger percentages of eligible families claim the EITC than traditional social welfare programs such as TANF, Food Stamps, and Medicaid.

Enacted by Congress in 1975 as a refundable tax offset for low-income workers, the structure of the EITC was attractive to both sides of the political spectrum because it was both an anti-poverty and an anti-welfare instrument that offered an attractive, work-oriented alternative to existing welfare programs. The credit also addressed national concerns in the mid 1970's over unemployment rates, welfare caseloads, and the working poor.

At its inception, the credit was relatively modest. However, changes in the Tax Reform Act of 1986 and the Omnibus Budget Reconciliation Acts (OBRA) of 1990 and 1993 led to a 10-fold increase in the amount of funds paid between 1984 and 1996. The changes were most dramatic for families with two children; the 1993 OBRA expanded the maximum credit for this group from \$1,511 in 1993 to \$3,556 in 1996. The earnings subsidy that the EITC represented for these families in fact doubled, from 19.5 percent of earnings in 1993 to 40 percent of earnings in 1996. Over time, the EITC has thus become a significant source of income for working families. In 2002, for example, families with one child and an income level of \$7,000 to \$13,000 received the maximum amount of \$2,506. Families with two or more children with an income level of \$10,000 to \$13,000 qualified for the maximum amount of \$4,140. For a hypothetical family with two children and an income level of \$10,700, the credit of \$4,140 is roughly equivalent to an additional \$2 per hour of full-time work. The available credit drops as income rises; for families with two or more children, it begins decreasing near \$13,500, and reaches zero at \$33,200.

People who know they will qualify for the credit at the end of the year may request that their employer pay them an Advanced Earned Income Tax Credit (AEITC), which allows them to receive the credit over equal installments in each regular paycheck. However, the vast majority of EITC recipients (99 percent) receive their funds in the form of a lump-sum payment. Numerous studies have shown that due to the "lumpy" nature of most EITC payments, recipients use the opportunity to improve family well being (move to a safer neighborhood, improve transportation, etc.) or to make large purchases.

Today, the EITC is the largest federal aid program targeting the working poor. Nevertheless, numerous studies have found that a significant number of eligible families fail to claim the credit. A primary purpose of this report is to demonstrate that public awareness campaigns to promote full access by these families is not merely justified as socially responsible, but actually could more than pay for itself when considering the economic impact to the community and the fiscal impact to the City of San Antonio. Particular attention is paid to the effect on San Antonio's West Side population.

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The importance of the Credit for working families in reducing poverty and income inequality reviewed in the next section, followed by a discussion of factors that erode of the credit's benefit (such as tax preparation costs and refund loan fees). An evaluation of the potential economic and fiscal impacts associated with increased utilization forms the core of the report, with a brief review of selected cities across the nation that have established programs to help families claim the EITC forming the report's final section.

Unless otherwise noted, the main sources of information used in this report came from various studies done by The Brookings Institution, The National Tax Assistance for Working Families Campaign, and a 2000 report from the Center for Policy Research at The Maxwell School at Syracuse University.

### **ROLE OF THE EITC IN FAMILY'S FINANCIAL LIVES**

The EITC has been shown to have a significant impact on many low-income working families. A series of recent studies indicate that the EITC reduces poverty, encourages participation in the workforce, supplements wages, helps low-income families build assets and purchasing power, and has a positive economic impact on the communities where the recipients reside.

#### *Reduction of Poverty*

The EITC is considered to be one of the most successful federal anti-poverty programs ever developed, and the impact of the credit on a working family's income can be considerable. For example, a single parent raising two or more children and earning between \$10,350 and \$13,520 in 2002 is eligible for the maximum EITC of \$4,140 – a 30 to 40 percent increase in the family's income. The EITC lifted 4.7 million people out of poverty in 1999, including 2.5 million children. A 1999 study by Columbia University's National Center for Children in Poverty found the EITC reduces poverty among young children by one-fourth. A 2003 study by The Brookings Institution examined the effect of the EITC on 27 urban and rural sites nationwide and found that, on average, one in five tax filers benefited from the EITC.

#### *Workforce Participation*

By restricting eligibility to families with earnings, the EITC promotes work. In particular, it significantly increases the number of single parents who join the workforce. The Brookings Institution found that prior to the large increases in the EITC in the late 1980's and early 1990's, 73 percent of single mothers with children worked at some point during calendar year 1984. By 1996, that number had increased to 81 percent, with 60 percent of the increase attributable to increases in the EITC.

#### *Supplements Wages and Builds Assets*

As the income gap between the richest and the poorest Americans has widened over the last 20 years, the wages and salaries of the working poor have not kept pace with those earning larger incomes. For example, The Brookings Institution found that during the late 1990's, the average before-tax income of a Texas family in the bottom fifth of the income distribution was

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approximately \$11,000. Adjusted for inflation, these families were actually earning 9 percent less than during the late 1970's. During the same period, families in the top fifth of the distribution had average before-tax income of \$130,000, a 23 percent increase over the late 1970's. By supplementing the wages of low-income families, the EITC has helped to curb the income inequality gap.

In addition to augmenting wages, the EITC helps low-income families build assets for the future. Over half of EITC recipients studied in the Chicago area planned to spend their refunds on investments such as tuition payment or other educational expenses, car repair and other transportation improvements to increase access to jobs, moving to a new neighborhood, or putting money into a savings account. The study also found that the EITC helped the lowest-income families meet immediate needs such as utilities and rent.

### *Positive Economic Impact*

EITC monies are typically spent by recipients in the communities where they reside. As noted earlier, recipients use their refunds to pay off debt, invest in education, and secure decent housing, thus enhancing their economic security and promoting economic opportunities in their neighborhoods. A Brookings Institution study found that over \$1 million EITC dollars per square mile flowed through urban communities in 1990. Obviously, the more an area is densely populated with low-income workers, the stronger this effect. The clustering of EITC earners can present an economic opportunity to the community in terms of the purchasing power derived from the credit and may signal retail opportunities in these neighborhoods.

### *Erosion of the EITC Benefit*

Like most Americans, many low-income working families seek help in preparing their tax returns. The process of filing for the EITC, as well as other tax credits, can be a daunting task, particularly for families whose first language is not English. One study found that 68 percent of all EITC earners in 1999 paid to have their returns prepared. These tax preparation services can be costly, however, and can significantly diminish the net benefit of the credit. A fee of \$100 or more is typical to have a tax return commercially prepared and electronically filed. For an average 1999 EITC receipt of \$1,655, this cost becomes a meaningful reduction in the credit's benefit.

Even more problematic than mere tax preparation costs are the "refund anticipation loans" (RALs) offered by most commercial tax preparers. RALs provide tax filers with an advance on their anticipated tax refund. The funds are generally received 8-10 days sooner than they would have been if direct deposited into a personal bank account by the IRS. Some services even offer an "instant" RAL, whereby taxpayers can receive a check immediately upon electronic filing.

In addition to receiving refunds sooner, many families choose RALs because they don't have the cash on hand to pay for tax preparation, or don't have a bank account available for the IRS to direct deposit the refund. According to the Federal Reserve, 22 percent of families earning less than \$25,000 in income (the majority of the EITC-eligible population) lack a bank account of

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any kind. Not having access to mainstream financial services forces these families to rely on high-cost alternative financial services that consume large portions of their small incomes.

A typical RAL fee is \$100 or more; viewed as an annual percentage rate (keeping in mind their costs and short terms), RAL loan rates range from 67 percent to a shocking 774 percent. Despite their high cost, these loans continue to grow in popularity; H&R Block, which prepares 20 percent of all EITC returns filed each year, sold 15 percent more RALs in 2002 than in 2001. In 1999, 49 percent of San Antonio EITC tax filers claimed their credit through an RAL, representing 57 percent of total EITC dollars paid, compared to a national average of 37 percent.

In sum, roughly \$1.75 billion of EITC money intended to benefit low-income families in 1999 flowed instead toward paying commercial tax preparation, electronic filing, and high-cost refund loans. A number of communities across the nation, realizing the significance of the erosion of the EITC benefits, have established programs to help families eligible for the credit with tax preparation, establishment of bank accounts and other services designed to help eligible families claim the full EITC they are entitled to.

### THE EITC IN SAN ANTONIO

#### *Current Utilization*

In tax year 2000, San Antonio had 109,594 tax filers claim the EITC, representing 23.9 percent of total tax filers. This resulted in \$200,720,586 of EITC dollars flowing from the federal government to low-income families. According to a Brookings Institution study of 27 communities participating in the National Tax Assistance for Working Families Campaign, San Antonio ranked 10<sup>th</sup> in tax year 2000 in terms of the percentage of filers claiming the EITC - 23.9 percent versus the study average of 21 percent (the national average was 15 percent). The average EITC credit paid to San Antonio families was \$1,831 versus the study average of \$1,716 (the national average was \$1,700). In comparison to other Texas cities, another Brookings Institution study that examined tax years 1997 and 1998 demonstrated that San Antonio had higher percentages of families earning the EITC. San Antonio's rate of EITC receipt was 23 percent versus 14 percent for Austin, 18 percent for Dallas, and 19 percent for Houston.

Updated figures from the IRS for 2001 show that the EITC is more important than ever in San Antonio, as a total of 133,792 families (representing 23.2 percent of total filers) claimed the credit that year. Not surprisingly, much of this activity was concentrated on the West Side, as city, the average receipt rate of the seven zip codes in that area (01, 04, 07, 26, 27, 28, and 37) was 38 percent, compared to 19.7 percent for the balance of the city. Assuming a similar level of average refund, this means that almost \$250 million was paid in EITC funds to residents of San Antonio in 2001, with almost \$72 million of that going to families in the West Side ZIP

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codes. This injection into the city's economy creates benefits, as the income is spent at local businesses to help create jobs, earnings, and taxes. Table 1 outlines the impacts.<sup>1</sup>

**Table 1**

***The Impact of Current EITC Payments in San Antonio***

<i>(all \$ figures in millions)</i>	<b>Direct Effect</b>	<b>Total Effect</b>
Output	\$164.3	\$259.0
Value-Added	\$105.3	\$163.9
Labor Compensation	\$61.7	\$95.6
Employment	3,313	4,467
City Taxes	\$2.03	\$3.15

***Potential Additional Local EITC***

In spite of its already substantial impact on San Antonio and the West Side, it is clear that the community is “leaving money on the table.” Every year, a significant number of families who qualify do not collect the EITC, for a variety of reasons – failure to file a tax return, ignorance of their eligibility, etc. There have been no comprehensive studies of the magnitude of these unclaimed funds, but “best guesses” from a number of sources (including the IRS) suggest that the figure might be between 10 and 20 percent. While this figure seems plausible, it lacks sufficient precision for use as more than an “order of magnitude” guide.

One effort at a more formal estimate of the level of unclaimed EITC credits was conducted by the General Accounting Office (GAO) during 2001. In response to a Congressional inquiry, the GAO combined information from the Current Population Survey and the IRS to estimate both the number of households and the dollar volume of unclaimed EITC. Their findings indicate that, overall, approximately 25 percent of eligible households representing 11.1 percent of eligible funds did not claim the credit during 1999. The GAO further identified the fact that failure to claim the EITC varied greatly by the number of children in the family – families with no children and those with three or more children who qualified were far more likely than qualifying families with one or two children to not claim the credit. The figures below outline the findings.

<sup>1</sup> Note: the assumption is that two-thirds of the current level of EITC payments are spent in the local economy

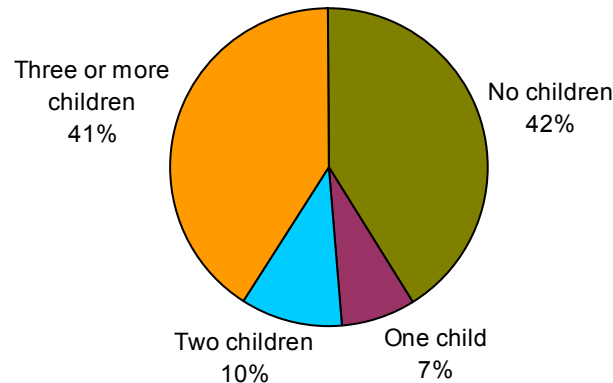
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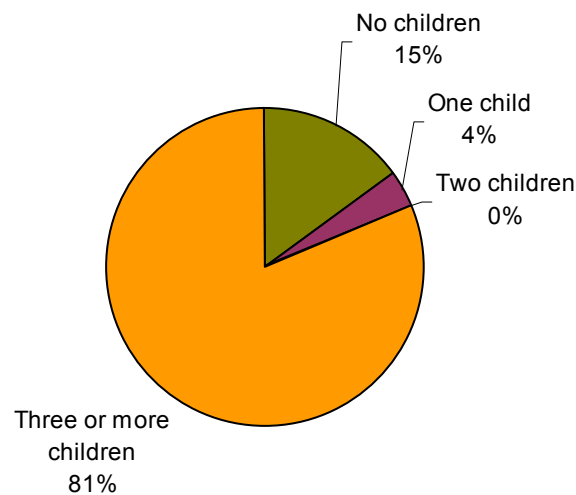
**Figure 1**

***Eligible Nonparticipating Households, by Number of Qualifying Children, 1999***



**Figure 2**

***Distribution of EITC Dollars that Nonparticipating Households Were Eligible to Claim, by Number of Qualifying Children in Household, 1999***



These estimates from the GAO facilitate a more refined estimate of the level of nonparticipation in San Antonio, especially on the West Side. Using detailed Census data on family size (in combination with the data above), it is possible to estimate the level of additional participation that would be expected if every qualifying family took advantage of the credit. Table 2 below provides more detail.

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**Table 2*****Current and Potential EITC Payments in San Antonio and on the West Side***

<b>Estimated 2001 EITC Paid</b>	
Current West Side EITC	\$71,890,553
Rest of San Antonio EITC	\$173,082,599
Total San Antonio EITC	\$244,973,152
<b>Estimated Level of Nonparticipation</b>	
Unclaimed West Side EITC	31.3%
Unclaimed Rest of San Antonio EITC	19.1%
Total Unclaimed San Antonio EITC	22.7%
<b>Estimated Level of Additional Potential Funds</b>	
Unclaimed West Side EITC	\$22,501,743
Unclaimed Rest of San Antonio EITC	\$33,107,162
Total Unclaimed San Antonio EITC	\$55,608,906

As the table indicates, a total of \$55.6 million in additional EITC funds could be paid to San Antonio households if full participation were to occur. Approximately 40 percent of these funds would flow to families on West Side, as the high level of nonparticipation among larger families suggests that over \$22 million goes unclaimed by residents in West Side zip codes. Once local families received this additional credit, the money would be put to a variety of uses. Based on a combination of data from the Consumer Expenditure Survey of the Bureau of Labor Statistics (CES) and several surveys in other communities about usage of EITC funds, it seems reasonable to assume that about one-third of the money would not be spent locally, e.g., if it were used for savings or to retire debts. Using data again from the CES on spending patterns by income level, the remaining two-thirds is likely to be spent in the following manner.



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**Table 3**

***Detailed Spending from Potential EITC Payments in San Antonio and on the West Side***

<b>Additional Potential Local Spending</b>	
Local Spending on West Side	\$15,076,168
Local Spending in Rest of San Antonio	\$22,181,799
Total Local Spending	\$37,257,967
<b>West Side Breakdown</b>	
Retail Trade (61.1%)	\$9,211,539
Services (22.7%)	\$3,422,290
Utilities (16.2%)	\$2,442,339
<b>Rest of San Antonio Breakdown</b>	
Retail Trade (66.0%)	\$14,639,987
Services (20.7%)	\$4,591,632
Utilities (13.3%)	\$2,950,179
<b>Total Local Spending</b>	
Retail Trade	\$23,851,526
Services	\$8,013,922
Utilities	\$5,392,518
Total Local Spending	\$37,257,967

### *The Economic and Fiscal Impact of Additional EITC*

The \$37.3 million expected to be spent in the local economy essentially is an injection that will have ripple effects throughout San Antonio. One of the most effective means of capturing these ripple effects is through use of an input-output model. In this type of analysis, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport. In this case, the \$37.3 million is the direct effect.

Indirect effects are production changes in backward-linked industries cause by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor's stay, for example, as do the cleaning

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supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.

An economy can be measured in a number of ways. The most common are “Output,” which describes total economic activity and is equivalent to gross sales, “Value-Added,” which represents the difference between gross sales and cost of goods sold (not including labor costs), “Labor Income,” which includes both wages and salaries and other compensation to employees, and “Employment,” which refers to permanent jobs that have been created in the local economy. In order to provide an accurate basis of comparison, all dollar-denominated results are expressed in constant 2001 figures.

The interdependence between different sectors of the economy is reflected in the concept of a “multiplier.” An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all sectors.

The results of running the increased spending levels through the IMPLAN model are delineated in the following tables.

**Table 4**

***Output Impact of Spending Attributable to Increased EITC Participation***

	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
Agriculture/Mining	\$0	\$398,402	\$118,659	\$517,061
Construction	\$0	\$759,720	\$251,859	\$1,011,579
Manufacturing	\$0	\$624,336	\$625,716	\$1,250,052
Transportation & Utilities	\$0	\$1,834,505	\$699,348	\$2,533,853
Wholesale Trade	\$0	\$328,586	\$613,810	\$942,395
Retail Trade	\$23,851,526	\$136,241	\$1,927,049	\$25,914,816
Finance & Real Estate	\$0	\$1,917,727	\$2,573,470	\$4,491,197
Services	\$8,013,922	\$4,655,638	\$2,970,086	\$15,639,646
Government/Misc.	\$5,392,518	\$645,961	\$445,082	\$6,483,560
<b>TOTAL</b>	<b>\$37,257,966</b>	<b>\$11,301,115</b>	<b>\$10,225,080</b>	<b>\$58,784,161</b>

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**Table 5*****Value-Added Impact of Spending Attributable to Increased EITC Participation***

	Direct	Indirect	Induced	Total
Agriculture/Mining	\$0	\$267,567	\$80,215	\$347,782
Construction	\$0	\$427,396	\$96,542	\$523,938
Manufacturing	\$0	\$262,259	\$193,764	\$456,023
Transportation & Utilities	\$0	\$896,952	\$365,303	\$1,262,254
Wholesale Trade	\$0	\$233,163	\$435,555	\$668,718
Retail Trade	\$19,206,039	\$96,985	\$1,468,844	\$20,771,868
Finance & Real Estate	\$0	\$1,306,636	\$1,811,366	\$3,118,002
Services	\$2,786,089	\$2,981,357	\$1,830,740	\$7,598,186
Government/Misc.	\$1,937,018	\$308,152	\$184,868	\$2,430,039
TOTAL	\$23,929,147	\$6,780,465	\$6,467,197	\$37,176,809

**Table 6*****Labor Income Impact of Spending Attributable to Increased EITC Participation***

	Direct	Indirect	Induced	Total
Agriculture/Mining	\$0	\$156,408	\$46,890	\$203,299
Construction	\$0	\$249,838	\$56,434	\$306,272
Manufacturing	\$0	\$153,305	\$113,266	\$266,572
Transportation & Utilities	\$0	\$524,320	\$213,541	\$737,861
Wholesale Trade	\$0	\$136,297	\$254,607	\$390,905
Retail Trade	\$11,227,048	\$56,693	\$858,625	\$12,142,366
Finance & Real Estate	\$0	\$763,805	\$1,058,849	\$1,822,654
Services	\$1,628,631	\$1,742,777	\$1,070,174	\$4,441,582
Government/Misc.	\$1,132,300	\$180,133	\$108,066	\$1,420,499
TOTAL	\$13,987,980	\$3,963,577	\$3,780,453	\$21,732,010

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**Table 7*****Employment Impact of Spending Attributable to Increased EITC Participation***

	Direct	Indirect	Induced	Total
Agriculture/Mining	0	2	2	3
Construction	0	11	3	14
Manufacturing	0	4	3	8
Transportation & Utilities	0	9	4	14
Wholesale Trade	0	3	6	9
Retail Trade	619	3	44	666
Finance & Real Estate	0	12	12	24
Services	123	78	56	257
Government/Misc.	10	4	6	20
TOTAL	752	128	136	1,014

As shown above, the economic impact of increased participation in collecting the EITC in San Antonio is potentially quite large, as injecting \$37.3 million in direct spending will create \$58.8 million in total economic activity, \$37.2 million in value-added, \$21.7 million in labor income, and support over 1,000 permanent jobs. While these results cannot be disaggregated geographically, it is likely that much of the impact will be felt on the West Side, given the concentration of potential recipients and the fact that most of the impact occurs in consumer sectors. At the same time, the City of San Antonio can expect to benefit from this increased economic activity. Table 8 outlines the potential fiscal impacts.

**Table 8*****Fiscal Impact of Increased EITC Participation – City of San Antonio (000s)***

City Sales Tax	\$166.6
City Property Tax	\$197.4
CPS City Revenue	\$171.7
Other Revenue	\$179.5
TOTAL	\$715.5

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### SELECTED CASE STUDIES

Forward-thinking local leaders in cities across the U.S. have realized the benefit of the EITC for low-income working families in their communities, as well the favorable impact to the cities themselves in terms of positive economic and fiscal effects. Consequently, a number of cities have enhanced the well-being of their communities by creating programs that inform eligible families about tax credits, connect low-income families to free or low-cost tax assistance, and help families save or leverage their refunds to meet medium- and long-term goals. Much of the case study information detailed below was gathered from the Annie E. Casey Foundation.

#### *Chicago*

Chicago has been a model for other cities since its 1999 campaign to increase awareness of the EITC in the greater Chicago area through public-private partnerships. The program is directed by the Chicago Tax Assistance Center, which has enlisted two non-profit organizations to provide free tax preparation assistance for low- and moderate-income families. In early December of each year, the City provides major businesses, other units of local government, social service agencies, and community organizations with promotional materials to distribute informing potential recipients about the EITC. Additionally, the electric, gas, and telephone companies include EITC information with their utility bills. In 2002, the tax preparation program obtained \$17.7 million of refunds for almost 13,000 clients - an increase of 25 percent over the previous year. As summed up by Mayor Richard M. Daley, "We're doing this because the EITC puts money in the pockets of people who need it most. And the money moves quickly into the Chicago economy, because these people spend it for necessities, rather than salting it away in the bank."

#### *Denver*

Denver is the only city in the country to have established a local EITC program in 2002 called the Denver Earned Income Tax Credit. The credit is available to residents of Denver who have qualified for the federal EITC, and provides a 20 percent match of federal funds received. The Denver EITC was funded by setting aside \$5 million in under-utilized Temporary Assistance for Needy Families (TANF) funds. In the first three months of the initiative, more than 4,600 families benefited from the credit, with an average check of \$430. The campaign has increased the number of claimants for the federal EITC because the application process for both credits has been combined. This has decreased overhead costs, resulting in 99 cents of every dollar allocated to the Denver EITC program going directly to working poor people.

#### *Boston*

Spearheaded by the City of Boston, over 50 community and business leaders in the metropolitan area formed the Boston EITC Action Committee in October 2001. The coalition has recruited more than 200 volunteers who have been trained by the IRS, and many of them are fluent in languages other than English. Over 26 tax preparation sites have been set up in Boston neighborhoods. Before the coalition was established, more than \$9 million in EITC refunds went unclaimed; the 2001 campaign increased claims by 18 percent. Other goals of the



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coalition include helping families and communities use the EITC to promote asset-building and financial literacy.

### *Indianapolis*

After estimating that 15,000-20,000 eligible families were not claiming the EITC (equaling \$22 million in unclaimed benefits), a pilot EITC program was established by the City of Indianapolis last tax season. The program provided comprehensive training to 79 volunteers and targeted three low-income neighborhoods. There were three primary goals: educate taxpayers about the EITC, provide free tax preparation to working families who are eligible for the EITC, and provide families with information about financial literacy/education opportunities. Due to the program, over 3,000 additional families claimed \$500,000 in EITC, and saved approximately \$138,000 in tax preparation costs. In 2003, the City will invest in a publicity campaign and offer the program citywide. It is estimated this campaign will result in \$6 to \$8 million in EITC for 2003 that otherwise would go unclaimed.

### *Louisville*

A program was established by the 2002 Louisville EITC Campaign to send representatives of local banks to the Volunteer Income Tax Assistance (VITA) sites to open checking and savings accounts for low-income filers, enabling them to direct deposit their tax refunds. Additionally, homeownership and financial literacy classes were offered at the VITA sites and instructors referred people to other asset-building opportunities such as Individual Development Accounts (IDAs). IDAs, which are typically financed by one or more third party funders such as foundations, employers, financial institutions, and/or state and local governments, provide matching dollars toward purchasing a home, starting a small business, or paying for post-secondary education. Sixty EITC-eligible tax filers took advantage of IDA programs, and \$200,000 in matching funds were set aside.

## CONCLUSIONS

The near-term economic benefits of broader utilization of the EITC by residents of San Antonio and the West Side consist largely of the impact of increased spending, both in terms of direct purchases by residents and the indirect ripple effects to other sectors of the economy and the local public sector jurisdictions. In the final analysis, the economic benefits of this spending materialize in the form of increased jobs and income, which is especially important at time when income disparity is widening and the economy is generally sluggish. In addition, there are significant tax benefits to the school districts, the City, and Bexar County. It is highly likely that the tax benefits to the City of San Antonio ultimately would exceed the costs of a campaign comparable to those outlined in the case studies, making an effort of that type both appropriate and cost-effective.

There are also intangible benefits associated with increasing the effective income of families at the lower end of the economic spectrum. Many of these families struggle to make ends meet on a daily basis, which leaves little time or resources to devote to planning for the future. To the extent that an EITC payment can provide “breathing space” from ongoing financial pressure, it



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can help create the possibility of saving and investment – perhaps in the form of starting a new business or helping to pay for higher education. The economic impact of these investments in the future could, in many cases, swamp the benefits that come from increased spending. Seen in this light, increasing participation in the EITC program is good public policy – it leverages local resources to the net benefit of both a targeted population and the community at large.